

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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PLR-124044-07

Date:

September 12, 2007

Legend

Old Parent =

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Merger Sub =

Investor =

A =

Business A =

Business B =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

l =

m =

n =

o =

p =

Date 1 =

Date 2 =

Date 3 =

Dear _____ :

This letter responds to your May 18, 2007 request for rulings on certain federal income tax consequences of a series of proposed transactions. The information submitted in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by penalty of perjury statements executed by the appropriate parties. This office has not verified any of the materials submitted in the support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Share Distribution (defined below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is being used principally as a device for the distribution of earnings and profits of the distributing or controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code (the "Code") and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in the distributing or controlled corporation (see § 355(e) and § 1.355-7).

Summary of Facts

Old Parent is the publicly-traded common parent of an affiliated group of corporations that file a consolidated federal income tax return. Old Parent has a single class of common stock outstanding, and management believes that A is the only shareholder who owns five percent or more of this stock.

Old Parent wholly owns Sub 1 (which engages in Business A), Sub 2 (which engages in Business B) and various other subsidiaries, trusts, and limited liability companies. Old Parent also owns all of the common stock of Distributing, the only class of stock Distributing currently has outstanding. Distributing wholly owns Merger Sub and Controlled. Controlled has outstanding a single class of common stock. Distributing, Merger Sub, and Controlled were each created in anticipation of the proposed transactions described below. All of the above mentioned entities are domestic.

Financial information has been submitted which indicates that Business A (directly conducted by Sub 1) and Business B (directly conducted by Sub 2) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Proposed Transactions

For what are represented to be valid business reasons, the following transactions have been proposed (collectively, the “Proposed Transactions”):

(i) Merger Sub will merge into Old Parent (the “Old Parent Merger”). In the Old Parent Merger, every a issued and outstanding shares of Old Parent common stock will automatically convert into b shares of common stock of Distributing. Holders of Old Parent common stock that would otherwise be entitled to receive fractional shares of Distributing common stock will be paid cash in lieu of such fractional shares. As a result of the Old Parent Merger, Old Parent will become a wholly-owned subsidiary of Distributing and Distributing will become the publicly-traded parent of the group.

(ii) Immediately following the Old Parent Merger, Old Parent will be converted into a limited liability company (“Old Parent LLC”) that will be wholly owned by Distributing (the “Old Parent Conversion”).

(iii) Old Parent LLC will distribute all of the shares of common stock of Sub 2 to Distributing.

(iv) Pursuant to an Investment Agreement, Investor will acquire (the “Share Issuance”) a number of newly issued shares of Class A common stock of Distributing (the “Distributing Class A Common Stock”). The Distributing Class A Common Stock will be automatically convertible into Distributing common stock that will represent approximately c% of the Distributing common stock upon the share conversion described in step (ix) below.

(v) Distributing or one or more of its subsidiaries are expected to incur approximately \$d of indebtedness from third-party sources.

(vi) Distributing or its subsidiaries will pay off certain intercompany indebtedness plus accrued and unpaid interest owed to Old Parent. Sub 2 will then make a distribution or loan of cash to Distributing. Following this step and the preceding step, Distributing will have approximately \$e in cash (not including cash held by Old Parent).

(vii) Distributing will contribute all of the membership interests of Old Parent LLC and approximately \$e of cash to Controlled (the “Contribution”).

(viii) Distributing will distribute on a pro rata basis to holders of record of Distributing common stock (other than Investor), all of its Controlled common stock (the “Share Distribution”).

(ix) The Distributing Class A Common Stock will automatically convert into Distributing common stock on a day subsequent to the Share Distribution.

The By-Laws of Distributing provide that the initial Distributing board will consist of f directors, g of whom will be designated by Investor and g of whom are designated by name or title. The remaining directors will be selected by Old Parent after certain consultations are undertaken and consents (which will not be unreasonably withheld or delayed) acquired. Pursuant to a Shareholder's Agreement with Investor, until the earlier of the h year anniversary of the closing date and the termination of the Shareholder's Agreement, if Investor owns at least i% of the outstanding common stock of Distributing, it will have the right to nominate g directors to stand for election; if Investor's ownership percentage is between i% and j%, k directors; if the ownership percentage is less than j%, but the fair market value of its Distributing stock equals or exceeds \$l, m directors; and if the fair market value is less than \$l, Investor shall not have the right to nominate any directors. Any directors so nominated by Investor must still stand for election and be voted upon by all of the Distributing shareholders. Each share of Distributing common stock, whether owned by Investor or by the public, has identical rights with respect to voting for directors.

Old Parent has a share repurchase program that gives it the ability to purchase annually up to n shares of its issued and outstanding common stock (the "Share Repurchase Program"). As part of the Share Repurchase Program, Old Parent repurchased o shares on Date 1 and a total of p shares between Date 2 and Date 3 through accelerated share repurchase agreements (the "Accelerated Share Repurchases").

In connection with the Proposed Transactions, Controlled and its affiliates (the "Controlled Group") will enter into agreements with Distributing and its affiliates (the "Distributing Group") for: (i) transitional arrangements; (ii) tax sharing and allocations; (iii) certain other contractual relationships, including (1) contractual relationships whereby members of the Distributing Group provide services to members of the Controlled Group with respect to Business B and whereby members of the Controlled Group provide services to members of the Distributing Group with respect to Business A; and (2) contractual relationships regarding referral arrangements.

Representations

The following representations have been made regarding the Old Parent Merger and the Old Parent Conversion:

(a) The fair market value of the shares of Distributing common stock and other consideration received by each Old Parent shareholder will be approximately equal to the fair market value of the Old Parent stock surrendered in the exchange.

(b) Immediately following consummation of the Old Parent Merger and the Old Parent Conversion, and prior to the Share Issuance, the shareholders of Old Parent will own all of the outstanding Distributing stock and will own such stock solely by reason of their ownership of Old Parent stock immediately prior to the transaction.

(c) Other than pursuant to the Share Issuance and possible acquisitions to be negotiated after the Distribution Date, Distributing has no plan or intention to issue additional shares of its stock following the Old Parent Merger and the Old Parent Conversion.

(d) Immediately following consummation of the Old Parent Merger and the Old Parent Conversion, and prior to the Contribution, Distributing (through Old Parent LLC) will possess the same assets and liabilities, except for assets used to pay expenses incurred in connection with the transaction, as those possessed by Old Parent immediately prior to the transaction. Assets used to pay expenses, and all redemptions and distributions (except for regular, normal dividends and stock buybacks under the Share Repurchase Program) made by Old Parent immediately preceding the transaction will, in the aggregate, constitute less than one percent of the net assets of Old Parent.

(e) At the time of the Old Parent Merger and the Old Parent Conversion, Old Parent will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Old Parent.

(f) The liabilities of Old Parent assumed by Distributing plus the liabilities, if any, to which the transferred assets are subject were incurred by Old Parent in the ordinary course of its business and are associated with the assets transferred.

(g) The Old Parent shareholders will pay their respective expenses, if any, incurred in connection with the Old Parent Merger and the Old Parent Conversion.

(h) Old Parent is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(i) The payment of cash in lieu of a fractional share of Distributing stock is solely for the purpose of avoiding the expense and inconvenience of issuing and maintaining fractional shares and will not represent separately bargained for consideration. The total cash that will be paid in the transaction to any shareholder in lieu of a fractional share of Distributing stock will not exceed one percent of the total consideration that will be distributed in the transaction.

The following representations have been submitted regarding the Contribution and the Share Distribution:

(j) No part of the consideration to be distributed by Distributing will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(k) The Share Distribution is being carried out for the following corporate business purposes: to eliminate the competition for capital between Business A and

Business B; to provide both businesses with an enhanced acquisition currency; and to raise capital by facilitating the investment by Investor. The Share Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.

(l) The transaction is not used principally as a device for the distribution of earnings and profits of Distributing or Controlled or both.

(m) The income tax liability for the taxable year in which investment credit property (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.

(n) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(o) The Share Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(p) All repurchases of stock by Old Parent prior to the date of the Share Distribution were not related to the Proposed Transactions, and the total amount of shares Old Parent was authorized to repurchase would have been the same regardless of the Proposed Transactions.

(q) Other than discussions with investment banks about facilitating open market purchases pursuant to accelerated share repurchase programs, there was no agreement, understanding, arrangement, or substantial negotiations within the meaning of § 1.355-7(h)(1) with respect to the stock repurchases that occurred pursuant to Old Parent's Share Repurchase Program.

(r) Immediately before the Share Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to the Controlled stock (or the excess loss account that a member may have in the stock of another member that is required to be taken into account by § 1.1502-19) will be included in income immediately before the Share Distribution to the extent required by regulations (see § 1.1502-19).

(s) The total adjusted bases and fair market value of the assets transferred to Controlled by Distributing in the Contribution each equals or exceeds the sum of the liabilities assumed (within the meaning of § 357(d)) by Controlled plus any liabilities to which the transferred assets are subject.

(t) The liabilities assumed (within the meaning of § 357(d)) by Controlled in the Contribution and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(u) Immediately after the transaction (as defined in § 355(g)(4)), either (1) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing or Controlled, (2) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the Proposed Transactions, or (3) Distributing and Controlled will not be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(v) For purposes of § 355(d), immediately after the Share Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Share Distribution.

(w) For purposes of § 355(d), immediately after the Share Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Share Distribution, or (ii) attributable to distributions on Distributing stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year-period (determined after applying § 355(d)(6)) ending on the date of the Share Distribution.

(x) Payments made in connection with all continuing transactions, if any, between Distributing (and its affiliates) and Controlled (and its affiliates) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(y) Any debt owed by Controlled to Distributing after the Share Distribution will not constitute stock or securities.

(z) Distributing and Controlled each will elect under § 355(b)(3)(C) to treat all members of its separate affiliated group ("SAG" as defined in § 355(b)(3)(B)) as one

corporation in determining whether it meets the requirement of § 355(b)(2)(A) regarding active conduct of a trade or business.

(aa) The five years of financial information submitted on behalf of the businesses conducted by Sub 2 (a member of the Distributing SAG) and by Sub 1 (a member of the Controlled SAG) is representative of the present operations of each business, and there have been no substantial operational changes in either business since the date of the last financial statements submitted. Sub 2 is, and following the Share Distribution, will be affiliated with Distributing in a manner that satisfies § 1504(a), without regard to § 1504(b). At the time of and following the Share Distribution, Sub 1 will be affiliated with Controlled in a manner that satisfies § 1504(a), without regard to § 1504(b).

(bb) Following the Share Distribution, the Distributing SAG and the Controlled SAG will each continue the active conduct of its respective businesses, independently and with its own employees.

Rulings

Based solely on the information submitted and representations made, we rule as follows regarding the Old Parent Merger and the Old Parent Conversion:

(1) The Old Parent Merger, together with the Old Parent Conversion, will qualify as a reorganization under § 368(a)(1)(F). Old Parent and Distributing will each be “a party to a reorganization” under § 368(b).

(2) No gain or loss will be recognized by an Old Parent shareholder solely as the result of the receipt of Distributing common stock in the Old Parent Merger, except with respect to cash received in lieu of fractional shares (§ 354(a)).

(3) An Old Parent shareholder who receives cash in lieu of fractional shares of Distributing common stock will recognize gain or loss equal to the difference between the amount of cash received and the basis of the Old Parent common stock allocable to the fractional share interest (Rev. Rul. 66-365, 1966-2 C.B. 116; Rev. Proc. 77-41, 1977-2 C.B. 574).

(4) No gain or loss will be recognized by Old Parent in the Old Parent Merger and the Old Parent Conversion (§§ 361(a) and 357(a)).

(5) No gain or loss will be recognized by Distributing in the Old Parent Merger and the Old Parent Conversion (§ 1032(a)).

(6) The basis of each asset of Old Parent in the hands of Distributing will be the same as the basis of that asset in the hands of Old Parent immediately prior to its transfer (§ 362(b)).

(7) The holding period of each Old Parent asset held by Distributing will include the period during which the asset was held by Old Parent (§ 1223(2)).

(8) The aggregate tax basis of the Distributing common stock that an Old Parent shareholder receives in the Old Parent Merger will be the same as the aggregate tax basis of the shares of Old Parent common stock converted into shares of Distributing common stock, decreased by the amount of any tax basis allocable to any fractional share interest in Distributing common stock for which cash is received (§ 358(a)(1)).

(9) The holding period of the Distributing common stock received by an Old Parent shareholder in the Old Parent Merger will include the holding period of the shareholder's Old Parent common stock, provided that the Old Parent common stock is held as a capital asset on the date of the Old Parent Merger (§ 1223(1)).

(10) The tax year of the affiliated group of Old Parent will not end on the date of the Old Parent Merger and such tax year will continue with Distributing as the successor to Old Parent in its capacity as the common parent of the affiliated group of corporations of which Old Parent was the common parent (§§ 1.381(b)-1(a)(2) and 1.1502-75(d)(2)(i)).

Based solely on the information submitted and representations made, we rule as follows regarding the Contribution and the Share Distribution:

(11) The Contribution, together with the Share Distribution, will be a reorganization under § 368(a)(1)(D). Distributing and Controlled will each be a "party to a reorganization" under § 368(b).

(12) No gain or loss will be recognized by Distributing in the Contribution (§§ 361(a) and 357(a)).

(13) No gain or loss will be recognized by Controlled in the Contribution (§ 1032(a)).

(14) Controlled's basis in each asset received from Distributing will equal the basis of that asset in the hands of Distributing immediately before its transfer (§ 362(b)).

(15) The holding period of each asset received by Controlled will include the period during which such asset was held by Distributing (§ 1223(2)).

(16) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the Distributing shareholders on their receipt of the Controlled stock in the Share Distribution (§ 355(a)(1)).

(17) No gain or loss will be recognized by Distributing in the Share Distribution (§ 361(c)).

(18) The aggregate tax basis of the Controlled stock and the Distributing stock in the hands of the Distributing shareholders will be the same as the aggregate tax basis of the Distributing stock held by such holders immediately before the Share Distribution allocated in proportion to the fair market value of each (§ 358(a)(1) and (b) and § 1.358-2(a)). If a Distributing shareholder that purchased or acquired shares of Distributing stock on different dates or at different prices is not able to identify which particular share of Controlled stock is received with respect to a particular share of Distributing stock, the shareholder may designate which share of Controlled stock is received with respect to a particular share of Distributing stock, provided the terms of the designation are consistent with the terms of the Share Distribution.

(19) Assuming that the shares of Distributing stock held by each Distributing shareholder are capital assets in the hands of such shareholder, the holding period of the Controlled stock received by the Distributing shareholder will include the holding period for the Distributing stock on which the distribution is made (*i.e.*, the shareholder's holding period for the Old Parent common stock from which his or her shares of Distributing stock were converted in the Old Parent Merger) (§ 1223(1)).

(20) No gain or loss will be recognized by and no amount will be included in the income of Investor upon the conversion of its shares of Distributing Class A Common Stock into Distributing common stock (§ 1036(a)).

(21) The initial designation of directors for the Distributing Board and the governance arrangements set forth in the Shareholder's Agreement and the Distributing By-Laws will not be taken into account for purposes of the § 355(d) and § 355(e) analyses.

(22) The Share Repurchase Program (including the Accelerated Share Repurchases) will not have any effect on the determination of whether there has been an acquisition of a 50 percent or greater interest in Distributing (*i.e.*, the share repurchases will not affect the determination of the percentage of the total combined voting power or value of Distributing stock acquired within the meaning of § 355(e)).

(23) As provided in § 312(h), proper allocation of earnings and profits between Distributing and Controlled will be made under §§ 1.312-10(a) and 1.1502-33.

Caveats

We express no opinion about the tax treatment of the Proposed Transactions under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, we express no opinion regarding:

(i) Whether the Share Distribution satisfies the business purpose requirement of § 1.355-2(b);

(ii) Whether the Share Distribution is being used principally as a device for the distribution of the earnings and profits of Distributing or Controlled (see § 355(a)(1)(B) and § 1.355-2(d));

(iii) Whether the Share Distribution is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in Distributing or Controlled (see § 355(e) and § 1.355-7); and

(iv) The federal income tax treatment of any cash distributed by Sub 2 to Distributing (as described in step (vi) above).

Procedural Matters

This ruling letter is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Richard K. Passales

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel
(Corporate)